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MORTGAGE BANKING

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J. Michael McFall

OUTDO YOUR COMPETITION

Customized Packaged Service

One key to ensuring successful loan originations is the lender's ability to provide superior service to real estate agents. Even during the recent crunch of refinancing business, most lenders took steps to protect longstanding relationships by emphasizing service to real estate agents.

In retrospect, this strategy was probably a smart one. Real estate agents represent an important link with customers, and according to surveys, can influence up to one-half of all loan originations nationwide.[1]

There is increasing evidence that the Realtor's role is becoming more significant as a middleman in the loan origination process. As Realtors help consumers understand the growing complexities of loan instruments, they are assisting in the search for mortgage financing. The Realtor's function becomes increasingly important as customers begin to shop frequently for financing. And while some speculate that the Realtor's role might diminish in light of innovations such as computer loan originations systems (CLOs), there is no evidence to suggest that this is the case.

Given the importance of the real estate agent, it seems appropriate to examine the attitudes, actions and alliances that are common among members of this group. While this exercise may serve only to confirm some commonly held assumptions, it can be useful in prioritizing consumer needs and developing a strategy for increasing originations.

Most lenders assume that factors such as loan rate, speed of processing and lender reputation affect the real estate agents' inclination to recommend one lender over another. It is valuable to know whether or not these impressions are correct and to what extent various qualities in lenders affect the real estate agent's decision.

It also seems evident that salesmanship may be a factor in real estate agent referrals. Loan officers and others may benefit by knowing more about how a loan officer's friendliness, salesmanship and reputation affect the real estate agent's inclination to make a referral.

In addition, it seems important to know more about the real estate agent's involvement in the lending process. By knowing more about the services that are performed by agents before the loan application is taken, lenders can better provide information and assistance to customers.

This information can then be translated into an action plan for loan originators. Lenders who recognize and capitalize on the unique needs of the real estate agents can better position themselves for increased single-family loan originations.

MBA survey

To acquire this information, the Mortgage Bankers Association (MBA) conducted a written survey among 426 active Realtors.[2] The survey asked a variety of questions about services performed, referral practices and qualities sought in a lender. While there are limitations to any type of market research, it is possible to make significant inferences about Realtor behavior that may be useful.

It is important to note that the survey was conducted during the summer of 1986, a time when origination volume was high and loan processing was low. Although this may have been a factor in the results, the survey paints a clearer picture of Realtor preferences.

Based on the survey responses, Realtors are very involved in many aspects of the financing process. While fewer than 11 percent of the Realtors surveyed actually take a loan application, almost all indicated that they discuss with homebuyers such topics as down payments and the costs associated with loan closing. Approximately the same number, 90 percent, help buyers prequalify for a loan. It seems logical that Realtors are interested in performing prequalification tasks that lead to an evaluation of buyer affordability. As a result, most lenders work with Realtors on buyer qualification techniques.

Referral practices

A large number of the Realtors surveyed are involved in helping homebuyers find a lender. Nearly 90 percent make a recommendation for one or more sources of financing. Most Realtors recommend a minimum of two lenders, few recommend more than four. The average number of lenders recommended by Realtors is three.

When they make a recommendation, most Realtors are confident that it will be followed. In MBA's survey, 81 percent of the Realtors felt that their recommendations were always followed by the homebuyer. It seems evident that if the Realtors' estimates are true, lenders must continue to

PHOTOGRAPHS BY ED CASTLE

work with Realtors in order to be included on their referral list.

Realtor recommendations seem to have an influence on the number of loan applications that go to banks, thrifts and mortgage bankers. At the time MBA's survey was conducted, mortgage bankers held a 28 percent share of single-family loan origination market. Savings and loans held a 42 percent share of the market, while banks held a 20 percent share.[3]

To test the influence of Realtors, MBA asked survey participants to report how often they recommended banks, thrifts and mortgage bankers. In the survey, the Realtors' response for banks was identical to the actual market share. The percentage of business recommended to thrifts was 31 percent, somewhat below the actual market share and for mortgage bankers it was 36 percent, somewhat greater than the actual market share. This may reflect a slight survey bias in favor of mortgage bankers but generally supports the MBA hypothesis that Realtor recommendations are influential in determining overall origination volumes among lenders.

While almost all Realtors are eager to recommend lenders and to qualify buyers, the survey revealed that 59 percent will go as far as to recommend a particular loan type. According to the survey, when Realtors are inclined to suggest a loan type, they are most likely to be working with new homebuyers and most often recommend Federal Housing Administration (FHA) or Veterans Administration (VA) loans. This is especially important for mortgage bankers who originate a high proportion of these loans. It may also represent an opportunity to provide service that is unavailable from other types of lenders.

Approximately 60 percent of the Realtors in the MBA survey help homebuyers understand mortgage and title insurance and only a very few, 21 percent, provide brochures on home financing. And, as mentioned earlier, 11 percent actually take an application. Of the 11 percent, only one-half were affiliated with computerized loan origination systems, suggesting that CLOs have made a minimum impact on the loan origination process.

J. Michael McFall is senior director of marketing and publications at MBA. His marketing and association experience include positions with the Music Educators National Conference and a prominent Baltimore advertising agency.

"We speculate that despite the recent controversy about Realtors serving as loan originators, most prefer to concentrate on selling homes, relying on lenders for the financing."

We speculate that despite the recent controversy about Realtors serving as loan originators, most prefer to concentrate on selling homes, relying on lenders for the financing. The few Realtors who actually take an application are most often affiliated with a large office, suggesting that the larger chain real estate brokerage companies may be the ones most concerned about becoming loan originators.

This is an area that merits continued observation. If major retailers and securities brokers continue their presence in the real estate brokerage market, loan officers may soon confront a situation where many Realtors have become captive and growth is limited. On the other hand, the divestiture of the Merrill Lynch real estate brokerage operation may signal an end to the threat of captive real estate agents. This situation varies widely by market.

Report card on lenders

MBA also asked Realtors to provide a report card on the qualities they seek in lenders. In this report card, they were asked to evaluate qualities such as loan rate or lender reputation on a scale from one (low) to five (high). The average scores for each of the 14 attributes are reported in Table 1 and are listed according to the average level of importance.

Realtors reported a high average score for speed of processing, loan officer responsiveness and lender reputation. To some extent, the emphasis on speed and responsiveness may be a reflection of the time during which the survey was conducted. Based on the strength of these scores, however, it is unlikely that these qualities would move out of the top three if the survey were repeated at another time.

Average scores, while illustrative, do not clearly identify patterns among lender attributes and the manner in which they are related to one another. We would suspect that some of the attributes might be similar in influence and that it might be possible to look for an intercorrelation among the variables. This intercorrelation can be used to form groups of similar attributes, which can then be used in a discussion of sales strategy. Consequently, MBA employed a statistical technique known as factor analysis in order to better group and classify Realtor preferences.[4]

The factor analysis identified four clusters or groups of attributes. Within each group, there is a high amount of similarity in scores and, therefore, the attributes within the group form a strategic package.

For discussion purposes, each group has been assigned labels. The first group deals with loan officer personality and salesmanship. The second group deals with lender convenience, while the third group concerns lender affiliations. The fourth group refers to loan characteristics. The groupings are shown in Table 2.[5]

Salesmanship

The first factor group, which has been labeled salesmanship, includes responsiveness, friendliness, eagerness to qualify borrowers, salesmanship, ability to explain loan types and

TABLE 1

Realtor Qualities	AVERAGE SCORE (1=Low, 5=High)
Speed of loan processing	4.53
Responsiveness of loan officer	4.51
Reputation	4.44
Eagerness to qualify your customers for a loan	4.40
Loan rate/points	4.30
Friendliness of loan officer	4.06
Ability to explain loan types to Realtors	3.90
Variety of loan types	3.65
Salesmanship of loan officer	3.65
Hours of operation	3.36
Affiliation with a bank or savings and loan	3.01
Location of lender with respect to customer's home	2.62
Affiliation with a nationally recognized company	2.54
Location of lender with respect to your office	2.30

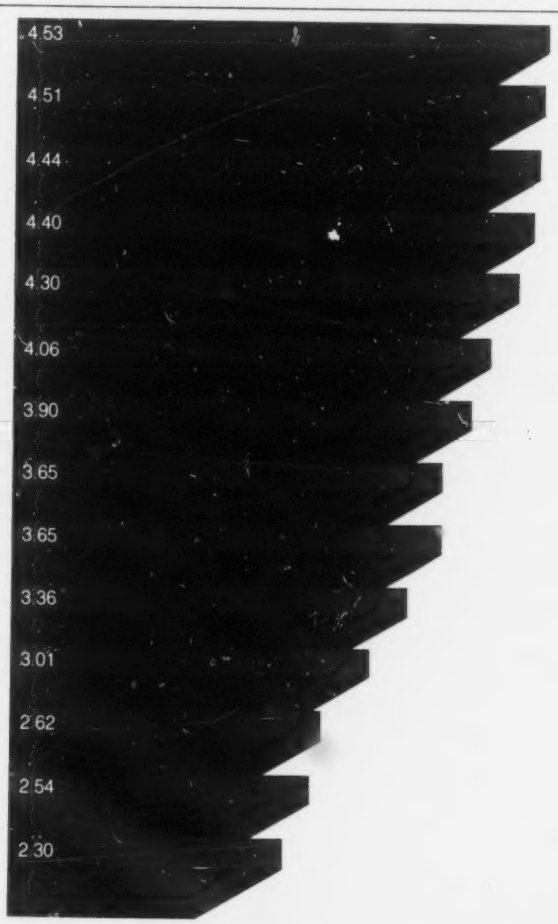

TABLE 2

Pearson Correlation Matrix

Salesmanship	Responsiveness	Friendliness	Eagerness to Quality	Salesmanship	Ability to Explain Loans	Reputation
Responsiveness	1.000					
Friendliness	0.551	1.000				
Eagerness to Qualify	0.473	0.383	1.000			
Salesmanship	0.333	0.454	0.331	1.000		
Ability to Explain Loans	0.337	0.322	0.390	0.349	1.000	
Reputation	0.327	0.322	0.412	0.384	0.319	1.000
Location	Location to Realtor	Location to Customer	Convenience			
Location to Realtor	1.000					
Location to Customer	0.537	1.000				
Convenience	0.371	0.237	1.000			
Affiliation	Local Affiliation	National Affiliation				
Local Affiliation	1.000					
National Affiliation	0.520	1.00				
Loan Characteristics	Rate	Speed	Variety			
Rate	1.000					
Speed	0.486	1.000				
Variety	0.282	0.224	1.000			

reputation. The data suggest that Realtors are very receptive to "the personal touch" when dealing with lenders. They are interested in working with lenders who spend the time to cultivate a relationship, not just drop off a rate sheet. In addition, the job of salesmanship does not end with taking the loan application. Loan officers must continue to communicate on the status of the loan package. One Realtor expressed concern for what he called the surprise ending.

> "I hate to come up on closing only to find that a critical document is missing. When I recommend a lender, I look for lenders who can track the status and report on progress."

Another Realtor commented that while he may sometimes recommend a lender, he is "much more inclined to recommend a specific loan officer rather than a specific lender. The high turnover among loan officers is a problem . . . when there is a personnel change, the loan package is often delayed."

There may be an advantage for lenders to use loan processing systems that can report on the progress of applications. Processing systems that have built-in checkpoints and report missing documentation problems are useful in building Realtor confidence. In addition, loan officers who are in touch with the processing staff and communicate regularly with the Realtor have a significant advantage.

It is interesting to note that overall lender reputation is highly related to the items in the salesmanship grouping. This suggests that salesmanship may be more significant in determining corporate reputation, than having a variety of loan types or the best rate. In fact, salesmanship and service may be determining factors.

While this might contradict the commonly held wisdom that rates are most significant, it is important to remember that in many markets, a rate parity situation exists. Considering rate alone, most lenders appear very similar offering the same rates. Therefore, other qualities such as service might tend to separate lenders.

It is also possible that by making several referrals, the Realtor is delegating the actual rate shopping task to the customer. Therefore, from the

Realtor's point of view, lenders with higher salesmanship qualities may be the most preferable.

The importance of the salesmanship category may be of strategic value to some lenders. Given that most lenders appear similar to Realtors, it is important to cultivate a uniqueness in order to achieve a competitive advantage.

This uniqueness may be achieved through offering ongoing training programs in salesmanship, purchasing a processing system that provides feedback, supplying brochures on loan types and conducting Realtor seminars.

Convenience

The next factor group deals with convenience. It includes the location of the lender's office compared to the customer and Realtor and hours of operation.

The location factor is directly influenced by the number of lender branches and their placement.

It seems that Realtor preferences agree with a recent survey taken among consumers. In 1985, MBA discovered that convenience was highly significant in the consumer's choice of a lender. Convenience was the most important factor for 35 percent of the surveyed customers. Rate was significant for 34 percent while company reputation was most important for 22 percent.[6]

When compared to convenience, rate appears to be a less significant factor in the customer's decision to choose a lender. Despite this, most consumers (71 percent) in the MBA study indicated that they had received the best interest rate. Clearly one-half of these had actually shopped for a mortgage.

The convenience factor may be of strategic benefit to lenders whose branch locations dominate a market or where loan officers regularly travel in order to accept applications. Rather than concentrating on promoting other attributes, these lenders might successfully take advantage of their unique strength to position themselves among Realtors and customers.

This strategy would be most effective as a countermeasure aimed at competitors who stress rate. It may also be beneficial in reducing dependence on rate as a method for attracting customers. Market conditions may make it impossible to always be a rate leader. Therefore, a strategy based on convenience may be an ideal alternative.

"There is increasing evidence that the Realtor's role is becoming more significant as a middleman in the loan origination process."

Affiliations

Corporate affiliation is the subject of the third factor grouping. Although mortgage lending has always been a regional business, changes in banking regulations and new entrants have brought many recognizable corporate names into the competitive arena. MBA believes that these might be influential in the Realtor's recommendation of a lender.

There is no conclusive evidence to suggest affiliation has a significant influence on Realtors, although a recent study by ERA Associates has revealed that 73 percent of the Realtors reported that their customers would be inclined to choose an out-of-town lender if that lender offered loans that were 1 percent below the market.[7] The ERA Associates study, while not conclusive, may indicate that loan rate can be used by major recognizable companies to gain an advantage.

From a strategic perspective, lenders who enjoy a relationship with a recognized retailer or bank holding company may find it advantageous to promote that strength directly to consumers. (See related article page 20) The consumers' actions will be based on attitudes and opinions that are influenced by name recognition and past experience. In short, familiar names can be a strategic advantage with consumers. This will probably not be an effective strategy with Realtors whose preferences are based on actual experience with lenders. For this reason, effective direct consumer contact programs are often associated with the retail environment.

Loan characteristics

Characteristics such as speed of processing, loan rate and variety of loan types formed another grouping. It is difficult to overlook the importance of these factors. Lenders who are not delivering a competitively priced product can hardly expect to gain continued Realtor acceptance. The MBA survey suggests, however, that these qualities do not form the basis for increasing loan originations. To one degree or another, Realtors expect to find these qualities in lenders. Establishing a sales and marketing campaign on these qualities alone may be difficult.

Unique customers

Although the survey may suggest otherwise, not all Realtors are alike, nor are all consumers alike. For example, MBA thought it would be interesting to take a look at the responses of the Realtors who dealt most with mortgage bankers to determine if any significant differences exist. The hypothesis was that the Realtors who are inclined toward making referrals to mortgage bankers are unique in some way.

The survey revealed that Realtors who refer most of their customers to mortgage bankers are also working with the highest percentage of new homebuyers. The Realtors who work with mortgage bankers reported that 73 percent of their customers are first-time buyers as compared with the national average of 40 percent new homebuyers.[8] As a result, the Realtors who work with mortgage bankers

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more often recommend FHA and VA loans. Approximately 44 percent of their customers choose conventional loans. Nationwide, at the time the survey was taken, 82 percent of all loans were of the conventional type.[9]

Generally, the Realtors who refer most to mortgage bankers are also more concerned with helping their customers understand the process. Their scores on attributes such as the importance of qualifying buyers and identifying loan types are significantly higher than the total group of Realtors by as much as .5 (on the scale of one to five). They seem to be much more involved in the process and believe that their customers are much more inclined to follow their advice.

This could represent a strategic opportunity for lenders who wish to capture a higher share of FHA/VA loan originations. By positioning their company as "friendly to new homebuyers," lenders can cultivate stronger relationships with some Realtors. This can be accomplished by distributing literature on loans, and stressing simplicity in prequalifying procedures. As a result, it may be possible to establish a unique position. This is an especially attractive alternative in those markets where portfolio lenders have stricter qualifying and underwriting requirements.

Examining these surveys suggest a scenario where tasks and responsibilities are shared between the Realtor and consumer. Realtors assist in assuring customers that they will probably qualify for the loan and by providing a selection of lenders and loan types from which to choose. Customers tend to choose lenders who are convenient, are recognized for their reputation and offer loans at competitive rates.

From a strategic point of view, lenders can benefit by identifying their individual strengths, assessing the competition and then promoting their unique qualities to Realtors and consumers. □

[1]ERA Associates, 1986 survey.
[2]Questionnaires mailed to a sample of 5,000 members of the National Association of Realtors.
[3]HUD survey of mortgage lending activity, first quarter, 1986.
[4]Varimax rotation of a 14 x 14 Pearson correlation matrix extracting four factors.
[5]Pearson correlation based on rotated value groupings.
[6]*Real Estate Finance Today*, January 10, 1986.
[7]ERA Associates, 1985 survey.
[8]Joint Center for Housing Studies, "Homeownership and Housing Activity in the United States: 1963-1984."
[9]HUD survey of mortgage lending activity, first quarter, 1986.

MORTGAGE MARKET TRENDS

The pace of economic activity quickened in the third quarter after registering minimal growth in the previous period. The U.S. Department of Commerce preliminary estimates indicate that real gross national product (GNP) expanded at an annual rate of 2.4 percent during the July to September period. For the quarter, consumer spending rose at an annual rate of more than 7 percent, while business fixed investment recorded a small gain. Inventory investment and net exports both declined but the latter fell by a smaller amount than it had in the second quarter.

Despite the fact that real disposable income actually declined in the third quarter, personal consumption expenditures again rose very strongly. Consequently, the personal saving rate fell markedly in the third quarter, to 2.9 percent, its lowest level since 1950. The bulk of the increase in consumer spending reflected the surge in new automobile purchases. This in turn was a response to the cut-rate financing incentives being offered by car manufacturers. Third quarter data also show that consumer spending for goods other than automobiles was strong as well. Non-auto retail sales in this period increased 3.7 percent from the second quarter. This increase in consumer spending will be a one-time short-run stimulus for the economy, and will not carry over into 1987.

Because much of the demand in the third quarter was met from inventories, inventory investment declined sharply, particularly for automobiles. This drop in inventory investment substantially reduced the reported increase in real GNP. On the positive side, this clearing out of inventories sets the stage for higher levels of output in the fourth quarter and beyond. But, similar to the pick-up in consumer spending, the rate of increase in inventory investment will moderate as 1987 progresses.

Economic growth was also enhanced by another solid gain in residential fixed investment. Spurred by mortgage rates that have fallen below the 10 percent level, construction activity in the single-family area, in constant dollars, rose in every month this year. But, with much of the pent-up demand for construction already satisfied, the expected continuing decline in rates may mean the single-family residential market will only be able to maintain its present level of activity, which is healthy, for the rest of this year and well into 1987. Multifamily housing starts have begun to decline and are expected to continue to fall in 1987.

In addition, non-residential fixed investment also rose very slightly in the third quarter after posting declines in the previous two quarters. All of the increase came from producers' purchases of durable equipment. These expenditures may rise further in the fourth quarter because businesses will try to acquire equipment before depreciation schedules lengthen under the new tax law after December 31. However, with the capacity utilization rate remaining below 80 percent, businesses have only a limited incentive to increase expenditures on equipment. This does not bode well for future business spending. Non-residential building construction declined again, and given the high level of vacancy rates for commercial property, and the adverse effects of the pending tax changes, activity in this area will continue to fall for the next several quarters. Overall, non-residential fixed investment will probably change only marginally in 1987.

Although the trade deficit worsened in the third quarter, the decline in real net exports slackened as compared with the previous quarter. This may indicate that the slide in the value of the dollar, which during the past 18 months has depreciated by more than 30 percent against a market basket of currencies, may finally be having some stabilizing effect on net exports. This drop in the value of the dollar should enable domestic industries to compete more effectively both within the United States and abroad. Thus, the trade sector may become a source of economic stimulus in the near term. However, even if economic growth picks up in foreign markets, increasing the demand for U.S. exports, and spending patterns change in the United States, the trade deficit will remain quite substantial in 1987.

On the inflation front, the decline in energy prices has continued to hold down the rise of both producer and consumer prices, as it has most of the year. But, as the benefits of falling oil prices dissipate, and the depreciation of the dollar begins to take effect, particularly on consumer goods prices, the rate of inflation will probably return to its level of the recent past, somewhere in the 3- to 4-percent range.

The sluggishness of the economy during the first three quarters of the year, together with lower inflation and an accommodative monetary policy, has allowed interest rates to fall markedly. Currently, short-term rates are around 5¼ percent, and long-term rates, particularly the bellwether 10-year Treasury, are about 7¼ percent. Given the anticipated moderate pace of economic activity expected in the fourth quarter, interest rates should remain near their present levels for the rest of the year, and then as economic growth slows somewhat next year, interest rates will decline slightly. Specifically, mortgage rates could fall from their present level of just below 10 percent, to between 9 and 9½ percent.

Developments in the housing sector continue to be favorable. New home sales increased by over 10 percent in September to an annual rate of 690,000. Moreover, for the first nine months of the year, sales of new homes were 11 percent ahead of last year's pace. Existing home sales have increased for three straight months, and in September, they rose to a seven-year high of 3.8 million units at an annual rate. Single-family building permits also held up quite well in the third quarter, remaining at the level they had attained in the first half of the year. Both single-family home sales and construction, while not contributing much to economic growth in the short run, are likely to remain near their present pace for at least the next six months.

Mortgage Banker Association economists feel that economic growth is likely to increase somewhat further in the fourth quarter, to an annual rate of 3 to 3½ percent. A rise in production, particularly of automobiles, in order to replenish depleted inventories, and an increase in the purchase of durable goods, especially by businesses, to take advantage of present tax provisions, will be key contributing factors. However, a slowing in the growth of consumer spending, changes in the tax code, and the continuing drag from the trade sector suggest that the growth of real GNP will slow to an annual rate of 2 to 2½ percent during the first half of 1987.

Robert Rosenblatt *November 14, 1986*

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS: Actual Total	HOUSING STARTS: Actual 1-4 Units	HOUSING STARTS: Actual 5+ Units	HOUSING STARTS: Seasonally Adjusted Annual Rates Total	HOUSING STARTS: Seasonally Adjusted Annual Rates 1-4 Units	HOUSING STARTS: Seasonally Adjusted Annual Rates 5+ Units	PERMITS 17,000 ISSUING PLACES: Actual Total	PERMITS 17,000 ISSUING PLACES: Actual 1-4 Units	PERMITS 17,000 ISSUING PLACES: Actual 5+ Units	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates Total	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates 1-4 Units	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates 5+ Units
1986												
APR	188	126	62	2,019	1,321	698	180	125	55	1,885	1,256	629
MAY	187	134	53	1,853	1,324	529	170	120	50	1,788	1,210	578
JUN	184	131	52	1,852	1,310	542	173	121	52	1,792	1,229	563
JUL	172	122	50	1,782	1,218	564	165	115	50	1,759	1,196	563
AUG	166	118	48	1,818	1,287	531	144	100	44	1,673	1,147	526
SEP	155	109	46	1,680	1,176	502	153	104	49	1,613	1,153	460
1985 TOTAL	1,742	1,166	576				1,733	1,077	657			
1984 TOTAL	1,750	1,206	544				1,682	1,065	617			
9 MONTHS												
1986	1,426	995	431				1,369	926	443			
1985	1,324	903	421				1,330	837	493			
1984	1,372	943	429				1,315	844	471			
1983	1,299	917	382				1,229	800	429			

RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

YEAR AND MONTH	STARTS: Actual North East	STARTS: Actual Mid-West	STARTS: Actual South	STARTS: Actual West	STARTS: Seasonally Adjusted Annual Rates North East	STARTS: Seasonally Adjusted Annual Rates Mid-West	STARTS: Seasonally Adjusted Annual Rates South	STARTS: Seasonally Adjusted Annual Rates West	PERMITS 17,000 ISSUING PLACES: Actual North East	PERMITS 17,000 ISSUING PLACES: Actual Mid-West	PERMITS 17,000 ISSUING PLACES: Actual South	PERMITS 17,000 ISSUING PLACES: Actual West	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates North East	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates Mid-West	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates South	PERMITS 17,000 ISSUING PLACES: Seasonally Adjusted Annual Rates West
1986																
APR	29	32	75	51	324	365	796	534	29	33	69	49	302	333	727	523
MAY	28	28	78	53	266	251	813	523	29	31	62	49	277	301	687	523
JUN	30	35	70	48	283	300	768	501	28	30	66	50	274	286	728	504
JUL	28	34	64	45	270	336	705	471	30	31	61	43	314	297	692	457
AUG	35	31	60	40	333	302	706	477	25	28	52	39	272	289	653	459
SEP	28	27	60	39	282	269	696	433	31	28	53	41	302	258	698	455
1985 TOTAL	252	240	782	468					260	237	753	484				
1984 TOTAL	204	243	866	436					201	212	812	457				
9 MONTHS																
1986	227	231	590	379					220	223	541	384				
1985	182	182	596	364					195	180	574	381				
1984	146	187	692	347					148	162	642	364				
1983	128	167	712	293					125	143	664	298				

HOUSING ACTIVITY (Cont'd.)

YEAR AND MONTH	HOUSING SALES (Units in thousands) EXISTING HOUSES[1]	NEW HOMES Sold	NEW HOMES Available For Sale	NEW HOMES Months Supply at Current Rate	VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in billions) Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Non-res.	CONSTRUCTION STATUS (Units in thousands) Seasonally Adjusted Annual Rate Under Construction Total	1-4 Units	5+ Units	Completions Total	1-4 Units	5+ Units
1986														
APR	336	84	336	4.5	224.2	97.5	31.9	94.8	1,135	638	497	129	94	35
MAY	330	75	336	5.3	224.3	99.5	32.9	91.9	1,132	648	484	148	94	54
JUN	338	66	340	5.8	226.7	102.4	32.8	91.5	1,153	665	488	150	103	47
JUL	336	57	349	6.2	229.5	104.4	32.6	92.5	1,157	675	482	151	101	50
AUG	341	52	354	6.8	232.7	105.8	32.4	94.5	1,164	682	482	160	109	51
SEP[p]	317	56	357	6.3	235.4	107.5	32.6	95.3	1,155	678	477	158	111	45
1985 TOTAL	3,214	688										1,703	1,167	534
1984 TOTAL	2,868	639										1,652	1,137	515
9 MONTHS														
1986	2,706	538										1,267	863	404
1985	2,448	595										1,247	846	401
1984	2,244	504										1,210	834	376
1983	2,120	478										974	709	265

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED

By Type of Institution and By Unit Type

(Dollars in millions)

YEAR AND MONTH	TOTAL Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	1-4 UNITS Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1985										
DEC	$43,586	$5,730	$15,919	$16,189	$5,748	$22,814	$5,158	$10,101	$7,162	$393
1986										
JAN	24,806	5,488	10,512	7,428	1,378	17,341	5,168	7,893	4,126	154
FEB	28,203	5,835	10,478	9,983	1,907	18,980	5,326	8,157	5,418	79
MAR	34,748	8,906	13,190	10,211	2,441	25,767	8,134	10,348	6,944	341
APR	43,754	10,037	15,811	15,490	2,416	31,838	9,443	12,705	9,375	315
MAY[p]	47,933	11,263	18,630	15,326	2,714	36,074	10,597	15,793	9,430	254
1985 TOTAL	369,343	68,065	145,372	127,873	28,033	241,474	62,658	109,286	68,224	1,306
1984 TOTAL	295,062	50,816	129,482	97,776	16,988	199,228	47,589	96,187	54,626	826
5 MONTHS										
1986	179,487	41,529	68,621	58,481	10,856	130,016	38,668	54,896	35,509	1,143
1985	121,787	22,541	51,964	38,948	8,334	81,021	20,950	38,673	21,089	309
1984	119,594	24,622	50,351	39,052	5,569	83,330	23,048	37,938	21,993	351
1983	94,690	25,221	33,708	31,360	4,401	69,617	23,642	26,639	19,071	265

LENDER ACTIVITY (Cont'd.)

LOANS CLOSED (Cont'd.)

(Dollars in millions)

YEAR AND MONTH	5+ UNITS					NONRESIDENTIAL				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[3]	S&Ls	Banks[2]	Life Cos.
1985										
DEC	$5,048	$274	$2,935	$1,111	$728	$15,724	$298	$2,883	$7,916	$4,627
1986										
JAN	1,790	86	1,218	433	53	5,675	234	1,401	2,869	1,171
FEB	2,335	323	1,099	541	372	6,888	186	1,222	4,024	1,456
MAR	2,216	300	1,278	447	191	6,765	472	1,564	2,820	1,909
APR	2,478	404	1,305	416	353	9,438	190	1,801	5,699	1,748
MAY	2,541	[illegible]	[illegible]	471	218	9,310	177	1,474	5,425	[illegible]
1985 TOTAL	28,034	2,396	15,604	7,262	2,772	99,835	3,011	20,482	52,387	23,955
1984 TOTAL	20,588	443	13,160	5,519	1,466	75,246	2,784	20,135	37,631	14,696
5 MONTHS										
1986	11,358	1,602	6,263	2,306	1,187	38,113	1,259	7,462	20,866	8,526
1985	9,019	792	5,237	2,218	772	31,747	799	8,054	15,641	7,253
1984	8,371	339	5,084	2,379	569	27,893	1,235	7,329	14,680	4,649
1983	5,296	355	2,794	1,829	318	19,777	1,224	4,275	10,460	3,818

LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

YEAR AND MONTH	ISSUED DURING MONTH					OUTSTANDING				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1985										
DEC	$28,511	$6,489	$14,889	$4,693	$2,440	$109,632	$14,091	$47,704	$31,459	$16,378
1986										
JAN	26,031	7,695	12,913	3,000	2,423	96,650	13,930	47,353	18,327	17,040
FEB	31,132	7,954	13,907	6,680	2,591	108,898	16,153	44,355	30,732	17,658
MAR	42,995	14,666	17,787	6,118	4,424	124,558	23,110	50,614	31,625	19,209
APR	47,297	12,715	21,823	8,751	4,008	137,435	27,712	53,917	35,033	20,773
MAY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1985 TOTAL	323,085	59,986	170,763	60,635	31,701					
1984 TOTAL	258,986	44,893	146,184	47,065	20,844					
5 MONTHS										
1986	212,152	52,874	89,810	50,657	18,811					
1985	117,479	18,525	63,981	22,918	12,055					
1984	115,814	22,569	63,034	20,779	9,432					
1983	94,515	30,464	43,469	14,115	6,467					

MORTGAGE INSURANCE

(Units in thousands, Dollars in millions)

YEAR AND MONTH	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	Total	FHA[3]	VA	Private	Total		FHA(203)		VA		Private	
					Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1986												
APR	379	270	32	77	105	7,354	47	2,939	18	1,299	40	3,116
MAY	344	220	39	85	141	9,837	73	4,608	24	1,742	44	3,487
JUN	314	166	48	100	138	9,904	56	3,530	32	2,397	50	3,977
JUL	320	166	42	112	153	10,878	64	3,971	27	1,942	62	4,965
AUG	265	128	44	93	191	13,197	95	5,840	37	2,657	59	4,700
SEP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1985 TOTAL	2,194	902	251	1,041	1,261	83,305	338	19,784	192	13,046	731	50,475
1984 TOTAL	1,862	477	180	1,205	1,344	86,775	200	10,644	198	12,728	946	63,403
9 MONTHS												
1986	2,617	1,568	338	711	1,241	85,909	564	34,602	246	17,671	431	33,636
1985	1,648	660	173	815	923	60,178	239	13,562	132	8,896	552	37,720
1984	1,411	318	146	947	1,072	69,177	169	9,006	161	10,345	742	49,826
1983	1,503	639	232	632	950	56,639	306	15,455	206	12,985	438	28,199

SECONDARY MARKET ACTIVITY

(Dollars in millions)

YEAR AND MONTH	FNMA Portfolio Comm.	FNMA Portfolio Purc.	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC* Comm. to Sell	FHLMC* Comm. to Buy	FHLMC* Mtg. Purc.	FHLMC* Mtg. Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
1986										
APR	3,774	1,631	64,171	2,835	8,223	9,869	6,195	5,593	13,336	6,900
MAY	3,538	1,978	67,312	4,491	9,857	10,612	8,947	8,162	4,863	5,872
JUN	3,049	3,000	72,377	6,831	9,720	10,338	10,505	10,353	9,472	8,178
JUL	3,270	3,343	76,197	6,106	8,585	7,863	8,518	8,118	14,246	10,226
AUG	3,840	3,800	81,060	7,079	n.a.	n.a.	n.a.	n.a.	10,177	6,813
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	n.a.	n.a.	n.a.	n.a.	[illegible]	[illegible]
1985 TOTAL	20,225	21,510	—	23,649	30,743	32,601	21,885	20,489	36,101	27,857
1984 TOTAL	21,007	16,721	—	13,546	30,921	32,846	22,952	21,376	70,280	50,496
9 MONTHS										
1986	27,530	22,158	—	43,902	54,004	57,159	47,797	45,694	119,356	66,213
1985	15,435	16,457	—	15,587	24,834	27,611	23,200	21,403	46,024	30,302
1984	14,461	12,376	—	9,903	15,650	15,036	9,559	8,887	27,527	21,882
1983	14,317	12,762	—	11,108	16,222	16,801	13,210	12,534	58,142	40,288

* FHLMC Year-to-date totals are for seven months only.

INTEREST RATES AND YIELDS

YEAR AND MONTH	1- to 4-UNIT MORTGAGES: FHA OPINION SURVEY FHA New[4]	FHA OPINION SURVEY CONVENTIONAL New	FHA OPINION SURVEY CONVENTIONAL Existing	FHLBB SURVEY CONVENTIONAL New	FHLBB SURVEY CONVENTIONAL Existing	FNMA 1 Yr. ARM (1%/Yr.)	FNMA FRM Conv.	APARTMENTS[5] APT's
1986								
MAY	10.07%	10.32%	10.33%	10.22%	10.15%	8.70%	9.663%	10.81%
JUN	9.98	10.38	10.39	10.15	10.20	8.60	10.050	11.62
JUL	10.01	10.28	10.32	10.30	10.26	8.29	9.813	12.02
AUG	9.80	9.88	9.92	10.26	10.26	7.96	9.455	11.45
SEP	9.90	9.96	9.95	10.17	10.08	7.86	9.588	12.16
[illegible]	n.a.	n.a.	n.a.	10.03	9.97	7.75	9.425	12.09

YEAR AND MONTH	CURRENT SECONDAPY MARKET YIELDS GNMA[6]	FNMA[6]	FHLMC[6]	SELECTED SECURITIES A-Rated[7] Utility	U.S. Government 10-yr.	U.S. Government 26-wk.	Prime Comm. Paper 90-119 Days
1986							
MAY	9.33%	n.a.	n.a.	9.50%	7.71%	6.19%	6.62%
JUN	9.57	9.71	9.75	9.65	7.80	6.27	6.71
JUL	9.32	9.48	9.49	9.57	7.30	5.86	6.33
AUG	9.11	9.21	9.24	9.51	7.17	5.55	5.92
SEP	9.28	9.27	9.32	9.56	7.45	5.35	5.68
[illegible]	9.05	9.14	9.18	9.48	7.43	5.26	[illegible]

YEAR AND MONTH	SPREADS (Basis Points) FHA New Minus A-Utility	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1986				
MAY	57	162	n.a.	n.a.
JUN	41	177	191	195
JUL	50	202	218	219
AUG	29	194	204	207
SEP	34	183	182	187
[illegible]	n.a.	182	171	175

NA—Not available, p—Preliminary

[1] From the National Association of Realtors "Existing Home Sales" series

[2] Mutual Savings Banks and Commercial Banks

[3] FHA applications received includes the Direct Endorsement Program starting in 1984

[4] Secondary market gross yields.

[5] Federal Home Loan Mortgage Corp. Existing Construction only

[6] Securities for 0 to 30 day delivery

[7] Prior to January 1984 this rate was for Aaa-rated New Issue Utility Bonds

[8] Year-to-date seasonally adjusted series not calculated.

[9] 1985 data on mortgage bankers obtained from the HUD Survey of Mortgage Lending Activity.